

State of California  
Business, Transportation and Housing Agency  
Department of Transportation

Prepared by:  
Robert Sertich  
Chief  
Division of Budgets  
(916) 654-4556

MASS TRANS FINANCIAL MATTERS  
Amtrak Intercity Rail Operating Support  
Action Item  
Resolution: MFP-02-13

CTC Meeting: August 22, 2002

Reference No.: 2.6g.

*Original Signed By*  
\_\_\_\_\_  
ROBERT L. GARCIA  
Chief Financial Officer  
August 1, 2002

**RAIL ALLOCATION - RAIL TRANSIT FINANCING**  
**FFY 2002-03 AMTRAK (INTERCITY RAIL) OPERATING SUPPORT**  
**RESOLUTION MFP-02-13**

**RECOMMENDATION**

The Department of Transportation (Department) recommends the California Transportation Commission (Commission) approve Resolution MFP-02-13, allocating \$49,552,000 of Public Transportation Account (PTA) funds, contingent upon the approval of the 2002-03 Budget, for support of the Department's intercity rail and feeder bus services on the Pacific Surfliner and San Joaquin routes.

**PROJECT DESCRIPTION**

**RECIPIENT:** Department of Transportation

**FUNDED ACTIVITY:** The Department's intercity passenger rail and feeder bus services with Amtrak. \$49,552,000 from the PTA will support the costs of Amtrak contracted service on the two state administered intercity rail routes as follows:

- \$21,591,000 for the Pacific Surfliner Route (11 San Diego-Los Angeles weekday round-trips, 12 San Diego-Los Angeles weekend round-trips, and four daily Los Angeles-Santa Barbara round-trips with one of these trains continuing to San Luis Obispo, and an additional weekend Los Angeles-Santa Barbara/Goleta weekend round-trip).
- \$27,961,000 for the San Joaquin Route (four daily Bakersfield-Stockton-Oakland round-trips, and two daily Bakersfield-Stockton-Sacramento round-trips).

**CURRENT STATUS OF AMTRAK**

As the Commission is aware, Amtrak's financial status and future has been in question in recent months. However, at this time Amtrak's financial status is much improved and its long-term future looks brighter. In June 2002, Amtrak announced that it would have to suspend operations by the end of June, if it was not able to secure \$200 million in loans or as a direct appropriation. Amtrak was able to secure a \$100 million loan from the Federal Railroad Administration in late June. Also, a supplemental appropriation for \$205 million (part of a larger Transportation bill) has been approved by Congress and is on the President's desk for signature. This amount of \$305 million will allow the continuation of current service levels into at least November 2002. Additionally, the Senate Appropriations Committee on July 25 unanimously approved the FFY 2003 Transportation and Related Agencies Appropriations bill with the entire \$1.2 billion that Amtrak had requested in order to run full service levels in FFY 2003. This bill will now go to the full Senate for consideration.

Nonetheless, the State is prepared to protect its interests in the event Amtrak files a petition for bankruptcy due to the elimination, reduction or insufficiency of Federal operating support. In this situation, the State will request that the trustee require Amtrak to continue to operate the intercity rail services it has contracted to run for the State using State of California and available Amtrak funding in the manner provided in the contract between the State and Amtrak. This will require Amtrak to continue to use its equipment and facilities needed to operate state-supported services.

The Department is also in the process of contracting for the "Intercity Passenger Rail Service Options Study." The study will have two parts. First, it will examine the costs and benefits of contracting out intercity rail services in the event Amtrak remains in its current form. Second, the study will recommend options for continuing intercity rail service in the event Amtrak is restructured or liquidated. The information and recommendations obtained from this study will allow the Department to take proactive steps to continue intercity rail services and protect State investment in intercity rail in the event Amtrak's status becomes more insecure.

#### **CURRENT DEPARTMENT ADMINISTRATION OF INTERCITY RAIL SERVICES**

Pursuant to Section 99316 of the Public Utilities Code, the Commission has responsibility for allocating funds for intercity rail operating support that are appropriated to the Department for this purpose. Chapter 263 of the Statutes of 1996 (SB 457, Kelly) added Government Code Section 14031.8 which specifies that the Secretary of the Business, Transportation and Housing (BT&H) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. As of July 1, 1998, the Capitol Corridor Joint Powers Agency (CCJPA) assumed responsibility for administration of the Capitol Corridor. Thus, the Secretary of BT&H is now responsible for allocating funds to that corridor.

Because the Commission does not allocate funds to the Capitol Corridor, this subject is not covered in detail in this staff report. However, the report does provide data on the appropriation amounts in the Budget for the Capitols and compares appropriation amounts between 2001-02 and 2002-03 on the three state funded intercity rail corridors. Additionally, every three months, the Department provides the Commission data and analysis comparing actual ridership, costs, revenues and farebox ratio on all three intercity routes.

#### **INTERCITY RAIL APPROPRIATIONS IN THE 2002 PROPOSED BUDGET ACT**

Provision 1 of Item 2660-001-0046 of the Proposed 2002-03 Budget appropriates \$73,138,000 in PTA funds for intercity rail services. (The amounts for each route are not specified in the Proposed Budget.) The appropriation amount is based on Amtrak's final estimates for the state costs for rail services on the Pacific Surfliners, San Joaquins and Capitols. For the Pacific Surfliners and San Joaquins, the state is now negotiating a 2002-03 contract with Amtrak. The CCJPA is negotiating separately with Amtrak on an operating contract for the Capitols. The table below shows how the \$73.1 million is distributed between the three routes.

| Proposed 2002-03 Budget Appropriation (Item 2660-001-0046)<br>for Intercity Rail Services |                     |
|---|---------------------|
| ROUTE   | FUNDS               |
| Pacific Surfliners  | \$21,591,000        |
| San Joaquins  | <u>\$27,961,000</u> |
| <b>Appropriation Request</b>  | <b>\$49,552,000</b> |
|   |                     |
| Capitols  | <u>\$23,586,000</u> |
| <b>Budget Total</b>   | <b>\$73,138,000</b> |

## ALLOCATION AMOUNT

### Pacific Surfliners and San Joaquins

The Department is requesting an allocation of \$49,552,000, contingent upon the passage of the Budget Act for the Pacific Surfliners and San Joaquins. This allocation request will fund service on those two routes for FFY 2003 (October 2002 – September 2003). The table below compares the funds requested for FFY 2002-03 to those allocated for FFY 2001-02 as well as actual expenditures for FFY 2000-01.

### Trends in State Costs

Total State costs for anticipated services on the San Joaquins and Pacific Surfliners are projected to remain the same overall between FFY 2001-02 and FFY 2002-03. There is a slight increase in costs on the Pacific Surfliners (under three percent) and a slight decrease in costs on the San Joaquins (about two percent) as compared to the prior year. Additional service on the Pacific Surfliners accounts for some of the cost increase between FFY 2001-02 and FFY 2002-03; on May 21, 2001 a twelfth San Diego – Los Angeles train on weekends only was added. FFY 2000-01 costs on the Pacific Surfliner were higher than for the two subsequent years. This is because improvements in operational efficiencies have helped to reduce costs. On the San Joaquins, the cost increase between FFY 2000-01 and 2001-02 is attributable to the addition of the sixth train. For FFY 2002-03, cost efficiencies are helping to reduce costs slightly. FFY 2002-03 costs of \$23,586 for service on the Capitols is projected to remain constant with FFY 2001-02 costs.

| FFY 2000-01 through 2002-03 (Pacific Surfliners and San Joaquins)<br>State Costs for State Administered Intercity Rail Operations<br>(\$ in thousands) |                         |                             |                                  |
|--|-------------------------|-----------------------------|----------------------------------|
| ROUTE  | FFY 2000-01<br>(Actual) | FFY 2001-02<br>(Allocation) | FFY 2002-03<br>(Current request) |
| Pacific Surfliners   | \$21,911                | \$21,050                    | \$21,591                         |
| <u>San Joaquins</u>  | <u>\$24,350</u>         | <u>\$28,502</u>             | <u>\$27,961</u>                  |
| <b>TOTALS</b>  | <b>\$46,261</b>         | <b>\$49,552</b>             | <b>\$49,552</b>                  |

### General

The Commission has recognized in its allocation resolutions for prior years that actual expenditures by route may differ from the estimates provided in the allocation request. Thus, as in prior years, the Department requests the Commission grant the authority to transfer between state-administered corridors (San Joaquins and Pacific Surfliners) up to ten percent of the amount allocated to each corridor, based upon actual expenditures.

## TOTAL OPERATING COSTS AND FAREBOX RETURN

Total operating costs for state-supported services, less passenger revenues from passengers (ticket revenue plus food and beverage revenues) equal the net loss of services, which is covered by the State and to a very minor degree, Amtrak. The table below shows by route, the components of total cost and farebox return for FFY 2002-03. For the three state supported intercity routes, Amtrak projects the FFY 2002-03 state share of loss at \$73.1 million, Amtrak's share of loss at \$2.5 million, and passenger revenue at \$61.1 million. Therefore, total operating costs are projected at \$136.8 million. The composite

farebox ratio for the three state-supported routes is projected at 46 percent (revenues/total operating cost). The farebox ratio for the Capitols is projected at 38 percent, the Pacific Surfliners at 56 percent, and the San Joaquins at 45 percent. (Equipment and minor capital costs are not included in total costs used to calculate the farebox ratio.)

| FFY 2002-03 State Supported Intercity Rail Operations<br>Total Costs, State and Amtrak Share of Net Loss,<br>Passenger Revenues, and Farebox Ratio<br>(\$ in thousands) |                  |                       |                                      |                 |                 |                    |
|---|------------------|-----------------------|--------------------------------------|-----------------|-----------------|--------------------|
| ROUTE   | TOTAL<br>COST    | PASSENGER<br>REVENUES | EQUIPMENT<br>AND MINOR<br>CAPITAL ** | NET LOSS        |                 | FAREBOX<br>RATIO** |
|   |                  |                       |                                      | STATE<br>SHARE  | AMTRAK<br>SHARE |                    |
| Pacific<br>Surfliners *   | \$45,176         | \$23,045              | \$3,984                              | \$21,591        | \$ 540          | 56%                |
| San Joaquins  | \$52,877         | \$23,637              | \$ 0                                 | \$27,961        | \$1,279         | 45%                |
| Capitols  | \$38,709         | \$14,427              | \$ 375                               | \$23,586        | \$ 646          | 38%                |
| <b>TOTALS</b>   | <b>\$136,762</b> | <b>\$61,109</b>       | <b>\$4,359</b>                       | <b>\$73,138</b> | <b>\$2,465</b>  | <b>46%</b>         |

\* Excludes Amtrak 33 percent basic system share of route.

\*\* Equipment and minor capital costs are not included in the calculation of the farebox ratio.

The following table shows the farebox recovery ratios for all three routes from FFY 2000-01 to FFY 2002-03. For the Pacific Surfliners and the San Joaquins, the estimated farebox recovery ratio for FFY 2002-03 is two percent higher than the farebox recovery ratio for FFY 2001-02 (October 2000 – April 2001). For the Capitols, the estimated farebox recovery ratio for FFY 2002-03 is projected to remain the same as in FFY 2001-02.

| FFY 2000-01 through 2002-03<br>Farebox Recovery Ratios |                         |                                    |                            |
|--|-------------------------|------------------------------------|----------------------------|
| ROUTE  | FFY 2000-01<br>(Actual) | FFY 2001-02<br>(Actual Oct.-April) | FFY 2002-03<br>(Estimated) |
| Pacific Surfliners                                     | 54%                     | 54%                                | 56%                        |
| San Joaquins   | 45%                     | 43%                                | 45%                        |
| Capitols   | 40%                     | 38%                                | 38%                        |
| <b>TOTALS</b>  | <b>46%</b>              | <b>45%</b>                         | <b>46%</b>                 |

#### ALLOCATIONS IN 2003-04 AND BEYOND

The Department and Amtrak's 10-year vision for the Pacific Surfliner route is hourly service between Los Angeles and San Diego. The Department's March 2002 *California State Rail Plan 2001-02 to 2010-11* projects that by 2008-09 there will be 16 round-trips between San Diego and Los Angeles, six round-trips between Los Angeles and Santa Barbara/Goleta and two round-trips between Goleta and San Luis Obispo. (Currently there are 11 weekday and 12 weekend round-trips between San Diego and Los

Angeles, four daily round-trips between Los Angeles and Santa Barbara with one train continuing to San Luis Obispo, and an additional weekend Los Angeles-Santa Barbara/Goleta weekend round-trip.)

The Department will request funding for these service increases at the time Amtrak and the Department agree upon demand, feasibility and operating costs. Also, agreement with the railroads regarding increased frequencies must be reached. And finally, adequate funds in the PTA must be available. The Department anticipates that any service increases on the Pacific Surfliners will be very cost effective because: (1) the new Pacific Surfliner equipment is more efficient to operate than the previous Amfleet equipment, and (2) the high number of existing frequencies on the route allow personnel and equipment utilization costs to be minimized when trains are added. Specifically, the Pacific Surfliner equipment is more fuel efficient, easier to maintain, and easier and more efficient to load and unload.

The *California State Rail Plan 2001-02 to 2010-11* projects that by 2006-07 the San Joaquins will have five round-trips between Bakersfield and Oakland and three round-trips between Bakersfield and Sacramento. (Currently there are four round-trips between Bakersfield and Oakland and two round-trips between Bakersfield and Sacramento.) The Department anticipates that the costs for additional round-trips on the San Joaquins will be slightly lower than the costs to run existing San Joaquin trains due to efficiencies achieved in personnel and equipment utilization.

Attachment

## **CALIFORNIA TRANSPORTATION COMMISSION**

### **Commission Allocation Approval FFY 2002-03 Amtrak (Intercity Rail) Operating Support**

#### **Resolution MFP-02-13**

- 1.1 WHEREAS, under Section 99316 of the Public Utilities Code, the Commission has responsibility for allocating intercity rail operating funds that are appropriated to the Department of Transportation (Department) for Department-administered corridors; and
- 1.2 WHEREAS, Provision #1 of Item 2660-001-0046 of the proposed Budget Act of 2002 appropriates \$73,138,000 of Public Transportation Account (PTA) funds for intercity rail services; and
- 1.3 WHEREAS, Government Code Section 14031.8 specifies that the Secretary of the Business, Transportation and Housing (BT & H) Agency shall allocate intercity rail operating funds to those intercity rail routes administered by a local joint powers board. As of July 1, 1998, the Capitol Corridor Joint Powers Agency (CCJPA) assumed responsibility for administration of the Capitol Corridor. Thus, the California Transportation Commission is no longer responsible for allocating funds for that corridor; and
- 1.4 WHEREAS, \$23,586,000 in budget funds are reserved for the Capitol Corridor, and the remaining \$49,552,000 in budget funds are reserved for the Pacific Surfliners and San Joaquins; and
- 1.5 WHEREAS, for the three state-supported intercity routes, Amtrak projects FFY 2002-03 state share of loss at \$73.1 million, Amtrak's share of loss at \$2.5 million, and passenger revenue at \$61.1 million. Therefore, total operating costs are projected at \$136.8 million. The composite farebox ratio for the three state administered routes is projected at 46 percent (revenues/total operating cost), while the farebox ratio for the Capitols is projected at 38 percent; the Pacific Surfliners at 56 percent and the San Joaquins at 45 percent; and

1.6 WHEREAS, the Commission recognizes that actual expenditures on the Pacific Surfliners and San Joaquins may differ from current estimates. For changes of 10 percent or less, the Department has total flexibility to transfer funds between the Pacific Surfliner and San Joaquin routes and will report these changes to the Commission on a quarterly basis; changes above 10 percent must be approved by the Commission prior to expenditure. Transfers can be made based upon actual expenditures or emergency situations.

2.1 NOW THEREFORE BE IT RESOLVED, that a total of \$49,552,000 be allocated to the Department for existing intercity rail and feeder bus services with Amtrak as follows:

|                    |                     |
|--------------------|---------------------|
| Pacific Surfliners | \$21,591,000        |
| San Joaquins       | \$27,961,000        |
| <b>TOTAL</b>       | <b>\$49,552,000</b> |

2.2 BE IT FURTHER RESOLVED, that this allocation is contingent upon the passage of the 2002-03 Budget.

2.3 BE IT FURTHER RESOLVED, that authority is delegated to the Department to transfer funds between the Pacific Surfliner and San Joaquin routes if the changes are less than or equal to 10 percent,

2.4 BE IT FURTHER RESOLVED, that the Department will report these changes to the Commission on a quarterly basis. Changes above 10 percent must be approved by the Commission prior to expenditure.